

Delegated decision report

DECISION UNDER DELEGATED POWERS

DECISION CANNOT BE TAKEN BEFORE THURSDAY, 5 JANUARY 2012

Title	CONSULTATION ON THE PRINCIPLES OF A PRIVATE SECTOR LED DESTINATION MANAGEMENT ORGANISATION (TOURIST BOARD) FOR THE ISLE OF WIGHT
Report to	REPORT TO THE CABINET MEMBER FOR THE ECONOMY AND THE ENVIRONMENT.

EXECUTIVE SUMMARY

1. This paper seeks to secure £3 million of Council investment in the Island's tourism industry through the creation of a private sector led Destination Management Organisation (Tourist Board) to develop the Island's visitor economy.
2. Draft proposals for the establishment of the Company and the support that the Council may provide to it are considered in the paper and approval is sought to consult with industry stakeholders on these proposals, with a view to a final recommendation being brought back to Cabinet in the New Year.

BACKGROUND

3. The Government's policy on tourism published in March 2011 identified its desire to see the development of industry led local tourism bodies to be, 'the voice of the visitor in their destination and of the businesses which form the local visitor economy too'. The policy identified a number of key features that the Government would expect to see in these new style Destination Management Organisations (DMO's): -
 - To be partnerships between the public sector (usually the local authority), local businesses and attractions and possibly Local Enterprise Partnerships.
 - The governance of the DMO to give control of all decision making to local private and third sector visitor economy organisations over the local authority.
 - The DMO must be 'self righting' and be allowed to succeed or fail without additional intervention from the local authority.
 - DMOs should reduce their reliance on local authority funding and be increasingly funded by the local tourism industry itself.
4. Despite its desire that the private sector should take an increasing and stronger lead in the management of local tourism destinations the Government's policy confirmed its

view that local authorities still have a significant role to play in supporting and funding the industry on the basis of the economic benefits that it can deliver to a tourist destination.

5. In August 2008 the Council entered into a Memorandum of Understanding (MOU) with the Isle of Wight Chamber of Commerce, Tourism and Industry (CCTI) to achieve a better coordination of the activities of the industry and the Council in improving the value of the visitor economy for the Island. This agreement sets out the Council's role to work at a strategic level to develop and promote the Island as a visitor destination and the CCTI's role to support the development of individual businesses and create tactical promotional campaigns involving these businesses in order to underpin the more strategic activities developed by the Council (in association with the few businesses that were prepared to make a contribution to the annual place marketing and brand awareness campaigns).
6. As part of the MOU it was agreed the CCTI's Tourist Development Board (TDB) would become the principle arena for shaping and developing tourism policies and strategies to improve the visitor economy. On that basis the Council has been allocated seats on this board which is effectively private sector led. One of the Council's nominations to the board is its current chair. Visit England as a Government funded quango is however reluctant to engage with the Isle of Wight on this basis and is intent on working only with fully stand alone and private sector led DMO's in the future.
7. The publication of the Government's Tourism Policy alongside the Council's Corporate Plan (2011 to 2013), which set out its intention to be more of a commissioner rather than a direct provider of services, are ideal catalysts for the Council to reappraise its support for the tourism industry and to create more effective and sustainable structures for its future development.
8. The discussion document attached at the appendix to this report sets out a basis for the Council to secure arrangements for its support to the tourism industry. This would be through a newly formed not for profit company between the Council and leading private sector businesses to be responsible for improving the visitor economy of the Island.
9. It is suggested that the company has no more than twelve members and that each would need to make an annual contribution to the company of £10,000. This is intended to ensure that the company only involves those organisations that have an interest in the overall development of the visitor economy and so that the company is not in competition with the CCTI or Federation of Small Businesses (FSB) in seeking to attract a large number of members in order to generate an operating income. It would also not have to develop services for these members, an activity that is better served by the CCTI and FSB and which could detract the company from its primary strategic objectives.
10. All of the Council's tourism assets (including staff and the website) would transfer to the new company which the Council will, it is suggested, continue to provide funds for in a sum that is no greater than the current year's tourism budget.
11. It is intended that the discussion document be used as basis for consultation with all of the industry stakeholders across the Island and that the proposed founding members of the company would then work together to refine the document and convert it to the

Articles of Association for the new company which would ideally be in place by April 2012.

STRATEGIC CONTEXT

12. The development of the new DMO would support the Council's priority of 'regeneration and the economy' and is consistent with its aspiration to, "actively pursue the opportunities created by partnerships to commission or deliver services particularly those that engage local communities and use available resources in a more coherent and effective way".

CONSULTATION

13. The purpose of this paper is to approve the rationale for creating a new DMO and the principles that would steer its establishment as the basis of a period of consultation with relevant industry stakeholders. Such stakeholders to include: individual tourism businesses, the Chamber of Commerce, Tourism and Industry and the Federation of Small Businesses.

FINANCIAL / BUDGET IMPLICATIONS

14. The Council continues to face a significant reduction in the amount of money it has available to spend in the delivery of its services despite saving over £17.8 million in the current financial year. As a consequence, the services which the Council must provide by law will be a priority for continued Council funding and those which the Council is able to choose to provide are likely to be subject to reduction in funding or regular review to confirm the continued need for the spending. The provision of tourism services is a discretionary activity of the Council that it is not required to fund.
15. The Council's current year net tourism budget is £340,000. The implication of the discussion document is that it would continue to provide this level of funding to the new DMO for the next nine years. This would however depend on the DMO being able to raise significant additional funds from the private sector in order to match the Council's funding.
16. If the Council chooses to support the proposals in the discussion document then it will be committing a total of £3 million of funding to a discretionary service for nine years thereby limiting its choice of discretionary services it could reduce spending on.

CARBON EMISSIONS

17. The proposed DMO will not generate additional carbon emissions and its effect will be neutral in terms of the Council's Carbon Management Plan.

LEGAL IMPLICATIONS

18. Under s.2(1) of the Local Government Act 2000 (LGA 2000), the council is given power to promote or improve the economic, social or environmental well-being of its area (the well-being power) and that power may be used for any one or more of the categories set out in s.2(2) LGA 2000. The well-being power is drafted sufficiently wide enough to enable a local authority to form or participate in (but not to trade for a commercial purpose), companies, including joint ventures, provided that it is satisfied that the formation of, or participation in, a particular company is likely to achieve the

promotion or improvement of the economic, social or environmental well-being of the authority's area. Formation of and participation in companies using the well-being power is subject to the control mechanisms set out in Part V of the Local Government and Housing Act 1989 (LGHA) and any accompanying Orders.

19. Section 2(4) LGA 2000 provides that the power granted under s.2(1) includes the power for a local authority to incur expenditure, give financial assistance to any person, enter into arrangements or agreements with any person and to provide staff, services or accommodation to any person. The council intends to do each of these in relation to the DMO.
20. If the function is transferred to another provider, the Council staff employed would be entitled to transfer to the new provider on their exiting terms and conditions under the Transfer of Undertakings (Protection of Employment) Regulations (TUPE) 2006. Their continuity of service and any other rights are all preserved; the Council and the new provider must also inform and consult all employees affected directly or indirectly by the transfer to avoid unfair dismissal claims and claims for breach of the TUPE regulations.

EQUALITY AND DIVERSITY

21. The council as a public body is required to meet its statutory obligations under the Equality Act 2010 to have due regard to eliminate unlawful discrimination, promote equal opportunities between people from different groups and foster good relations between people with different characteristics. None of the nine protected characteristics) age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation) will impacted to any greater or lesser extent than any other by the recommendations set out in this report.

PROPERTY IMPLICATIONS

22. The Council will be providing free of charge office accommodation for the use of the DMO for the first three years of its operation if the principles in the appendix are confirmed following the consultation process. The costs of this accommodation are already provided for in the Council's revenue budgets.

OPTIONS

23. The following options can be considered:-
 - (a) Consult with tourism industry stakeholders on the principles for establishing an industry led DMO as set out in the appendix.
 - (b) Consult with tourism industry stakeholders on the principles of a developing a new MOU with the CCTI.
 - (c) Agree the principles for establishing an industry led DMO as set out in in the appendix without consultation with industry stakeholders.
 - (d) Seek to agree a new MOU with the CCTI without consultation with industry stakeholders.
 - (e) Recommendations to be made to the Cabinet setting out proposals for the Council's continued support for the tourism industry following consultation with stakeholders

RISK MANAGEMENT

24. There is a risk that some third parties may object to the Council's proposals to create a joint venture DMO on the basis that they have aspirations to undertake this role themselves. It is an option for the Council to consider this approach but this would require it to purchase services from the third party and would therefore require a detailed procurement exercise. It is unlikely that such an approach would secure the backing of the private sector organisations that currently provide funding in support of the Island's tourism marketing and promotion. The consultation exercise will help to determine the wider views of the industry in this regard. It is unlikely that the Council's long term financial support for the tourism industry could be secured in the contracting model.
25. The risk that some business led membership organisations may see the proposed DMO as a threat to their own organisation can not be discounted. The proposed form of the company that is to be consulted on, limits the membership to no more than 12 members and should serve to mitigate the impact of the new DMO on the membership base of these organisations.
26. There is a risk that the development of the DMO to include so few members could be seen by many tourism businesses (the majority of which are Small and Medium Enterprises) as the creation of an exclusive organisation which they would not be able to influence. The proposal to allow representative organisations to be members of the DMO enables such organisations to take a view as to whether they would wish to join the DMO in order to represent their members' views. There would also be nothing to stop local groups of businesses creating formal associations as a basis for applying to the DMO for membership in order to make a contribution to the developing Island's visitor economy.
27. If the Council is unable to agree a new approach to the visitor economy it does risk criticism it is no longer interested in this aspect of the Island's economy. Its capacity to undertake and communicate its strategic plans and aspirations for tourism has reduced over time. The proposed DMO gives the opportunity for a fresh approach to the development of tourism unencumbered by local authority policies and procedures.

EVALUATION

28. The development of a DMO in the form set out in the appendix is consistent with Government and Council policy and will enable the tourist industry to take responsibility for its own destiny without looking to the Council for a lead in this regard. The Council does still have an important role to play in the development of tourism but this should be to support rather than create the aspirations of the industry. This approach will also release capacity within the Council to better ensure that the aspirations for tourism are consistent with the wider economic development aspirations (and delivery activities) for the Island.
29. There are many businesses that will have an interest in the development of the DMO and the Council will need to ensure that it consults and communicates effectively so that there is clarity and understanding about the rationale behind the development of the DMO and the manner in which it is intended to operate.

RECOMMENDATION

30. That option (a) and (d) be adopted: -
- (a) Consult with tourism industry stakeholders on the principles for establishing an industry led DMO as set out in the appendix.
 - (d) Recommendations to be made to the Cabinet' setting out proposals for the Council's continued support for the tourism industry following consultation with stakeholders.

APPENDICES ATTACHED

31. [APPENDIX](#) - Discussion Document - Isle of Wight Destination Management Organisation (Newco)
32. BACKGROUND PAPERS
33. Memorandum of Understanding with the IW CCTI for the promotion and development of tourism on the Isle of Wight, August 2008
34. Government Tourism Policy, DCMS, March 2011

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Decision

Signed

Date
